

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE WOOD CREEK WATER)
DISTRICT, OF LAUREL COUNTY, KENTUCKY, FOR)
(1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER DISTRICT TO CONSTRUCT A WATER-)
WORKS CONSTRUCTION PROJECT, CONSISTING OF) CASE NO. 8905
EXTENSIONS, ADDITIONS, AND IMPROVEMENTS)
TO THE EXISTING WATERWORKS SYSTEM OF THE)
DISTRICT; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT)

O R D E R

On September 20, 1983, the Wood Creek Water District ("Wood Creek") filed an application with the Commission seeking authorization to construct certain waterworks improvements and approval of the financing for this construction. The purpose of the proposed construction is the improvement of hydraulic flow and service reliability in Wood Creek's southern region. No additional customers will be served by this construction. Drawings and specifications for the proposed improvements as prepared by Russell-Axon Consulting Engineers, Inc., of Alcoa, Tennessee, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

On May 20, 1984, an Order was entered denying Wood Creek's application because of its failure to demonstrate by appropriate engineering analysis the proposed project's usefulness. That

Order instructed Wood Creek to resubmit the project after conducting an appropriate engineering analysis and any necessary plan revisions. Wood Creek was also directed to schedule an informal conference with the Commission to discuss the project prior to its resubmittal. The informal conference was held in the offices of the Public Service Commission, Frankfort, Kentucky, on June 7, 1984. Wood Creek filed a Motion for Rehearing in this case on June 14, 1984, and submitted additional technical data, including detailed engineering calculations and exhibits. On July 5, 1984, the Commission granted Wood Creek's Motion for Rehearing.

COMMENTARY

In support of its Motion for Rehearing, Wood Creek submitted computer generated hydraulic calculations of predicted conditions after the completion of the proposed project. All of these calculations and the additional exhibits could, with due diligence, have been submitted to the Commission prior to the April 3, 1984, hearing in this case. Wood Creek's delay in filing this explanatory material has led to an unusually lengthy review process and to postponement of the construction project.

The Commission expects the public utilities under its jurisdiction to utilize available technology and prudent management review to ensure the efficient operation of their systems. The management of a utility the size and complexity of Wood Creek reasonably requires that construction projects be adequately reviewed and evaluated for practicality and cost-effectiveness before any application is made to the Commission for a certificate of public convenience and necessity. The fact that Wood Creek

generally finances its construction with tax supported grants and loans makes this evaluation of cost-effectiveness even more relevant. Wood Creek can anticipate that the Commission will review future construction projects for demonstrated practicality and cost-effectiveness.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction includes about 4,350 linear feet of 10-inch water line, a 300,000-gallon water storage tank, and miscellaneous appurtenances thereto. The low bid received for the proposed work totaled \$179,000 which will require about \$354,000 after allowances are made for fees, contingencies and other indirect costs.

3. Any deviations from the construction herein approved which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. The proposed borrowing of \$354,000 is for lawful objects within the corporate purposes of Wood Creek, is necessary and appropriate for and consistent with the proper performance of services to the public by Wood Creek, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5. The financing secured by Wood Creek for this project consists of the issuance of \$354,000 of waterworks revenue bonds maturing over a 40-year period and carrying 7 1/8 percent interest to be purchased by the Farmers Home Administration (FmHA). The funds will be needed to pay for the work herein approved. Wood Creek's financing plan should, therefore, be approved.

6. Wood Creek should file with the Commission duly verified documentation which shows the total costs of construction herein certificated, including all capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed.

7. Wood Creek's contract with its Engineer should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Wood Creek should require the Engineer to furnish a copy of the record drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract drawings and specifications within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that Wood Creek be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks improvements project set forth in the plans and specifications of record herein.

IT IS FURTHER ORDERED that any deviations from the approved construction which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that Wood Creek's plan for financing its construction work in the amount of \$354,000 with a 40-year FmHA loan at 7 1/8 percent annual interest be and it hereby is approved.

IT IS FURTHER ORDERED that Wood Creek shall file with the Commission duly verified documentation which shows the total costs of construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between Wood Creek and its Engineer shall require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that Wood Creek shall require the Engineer to furnish to the Commission a copy of the record drawings and a signed statement that the construction has been

satisfactorily completed and done in accordance with the contract drawings and specifications within 60 days of the date of substantial completion of the proposed construction.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 6th day of August, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Hemen
Chairman

R. H. H. L.
Vice Chairman

James H. H.
Commissioner

ATTEST:

Secretary